

2012-13

# MKHONDO LOCAL MUNICIPALITY 2012/13 – 2014/15 MTREF BUDGET

## ANNUAL BUDGET REPORT

Municipal Budget Reporting Regulations (MBRR)



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## PART 1 – ANNUAL BUDGET

### 1.1 EXECUTIVE MAYOR'S REPORT

The Executive Mayor of Mkhondo Local Municipality, Councillor BH Mtshali delivered his 2012/2013 budget speech to Council Chamber on Thursday, 31 May 2012. The Executive Mayor's address sought the Council approval of a budget of R278, 3million for the 2012/13 financial year as per the provisions of Section 24 of the Local Government: Municipal Finance Management Act (Act 56 of 2003).

In its effort to increase the service delivery momentum in the 2012/2013 financial year, the municipality will envisage spending acceleration of more than R72, 7million on various infrastructural development projects. A capital budget of R59, 1million approved MIG allocation will be spent on an intensive service delivery programme which will include the following; Water Reticulation Networks in Iswepe & Haartebeesfontein; Installation of High Mast Lights; Fencing of Municipal Treatment Plants & Reservoirs; Construction of Driefontein Water Bulk line to Iswepe; Installation of Water Reticulation in Ext 6 & 8 Ethandakukhanya; Installation of VIP toilets and finally, Extension of Piet Retief Sewer Treatment Plant.

An additional budget of R24million as an allocation on project implementation by the Gert Sibande District towards Mkhondo Local Municipality, has been tabled before Council for the Construction & refurbishment of roads in (Amsterdam/Kwa Thandeka/Eziphunzini); Amsterdam Sewer Plant; Driefontein Water Treatment Works; Regional bulk infrastructure (Dirkiesdorp/ Driefontein/ Manduduluza); Erection of Boreholes; amongst other projects. In announcing the medium-term service delivery projects, the Executive Mayor said the provision of water, sanitation, roads, and electricity was the first objective as far as service delivery is concerned. "We believe that to a large extent, our 2012/2013 budget embodies the strategic needs and developmental goals of our community, as we have had an opportunity to listen to our people in various wards during our IDP & Budget Review consultative meetings" the Executive Mayor highlighted. The second service delivery objective is to accelerate provision of services relating to disaster management, safety, fire, emergency as well as traffic and licensing, and the third objective is to accelerate the provision of services relating to solid waste, parks and gardens, to ensure environmental sustainability of all developments.

According to the Executive Mayor, the municipality will "Support provision of comprehensive services and ensure that communities can have access to services which are closer to them". All these community development programmes, said the Executive Mayor, are delivered in accordance with the African National Congress' 2009 election manifesto and service delivery promises. "Based on community needs and the resources of the municipality, the adopted five developmental priorities of Mkhondo Local Municipality are Basic Service Delivery; Municipal Institutional Development and Transformation; Local Economic Development; Financial Viability and Management; and Good Governance and Active Public Participation" the Executive Mayor said.

The Executive Mayor added that in setting out the service delivery programme, the wishes and desires of members of the public were taken into consideration, "There have been a number of inputs made by the community of Mkhondo during the public participation, some of which have also

found expression in this budget”. Community members had requested the Installation of toilets; Grading of roads; Installation of high mast lights; Water and electricity supply and Fencing of cemeteries. As part of an importance communication to consumers and members of the public, the Executive Mayor made the following announcements:

- According to the directive by National Energy Regulator of South Africa (NERSA), municipalities that have implemented 20.38% increase in 2011/12, National Treasury issued a guideline for municipalities to base their electricity tariffs increase by not more than 11.03% for the 2012/13 revenue projections on electricity trading services;
- A 5% increase on property and assessment rates in respect of residential and business properties, including vacant stands will result to a anticipated revenue on assessment rates of R23.8million;
- R9million set aside as provision for indigent support based on 50 *kwh* of electricity per indigent household per month, and 6 *kl* of water per indigent household per month;
- R278, 3million set aside for municipal operational expenditure, and
- R96, 7million of municipal capital budget.

“We made a commitment to work collectively with all stakeholders in order to embrace the potential of young people so that we can address the challenge of having young people between the ages of 18 and 35 being unemployed. We have already signed a Memorandum of Understanding with the National Youth Agency last year in 2011, with an aim of ensuring that young people of Mkhondo do benefit from the programmes of youth development. In a bid to support youth development, Mkhondo Local Municipality establish a Youth Office which deals with equipping our youth with training development programmes and really focusing on the effective implementation of youth development programmes. The NYDA programmes and services have been designed to address the needs of small entrepreneurship and economic development initiatives particularly our youth. About (90) ninety young people have already been trained on small entrepreneurial business opportunities as well as encouraging economic development in Mkhondo area. Plans are underway to recruit additional unemployed youth of (150) about one hundred and fifty to participate in the Expanded Public Works Programmes (EPWP) in various labour intensive recruits such as fix-the-Potholes project, electrifications projects, water and sanitation projects” added the Executive Mayor.

## **COUNCIL RESOLUTION**

The Executive Mayor of Mkhondo Municipality, Councillor BH Mtshali delivered his 2012/2013 budget speech to Council Chamber on Thursday, 31 May 2012, for Council to consider the annual budget of the municipality for the financial year 2012/13. The Council approved and adopted the following budget resolutions in terms of section 24 of the Municipal Financial Management Act;

- Operational Budget
- Capital Budget
- Annual Tariffs list
- Budget Related Policies

### **1.3 EXECUTIVE SUMMARY**

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Mkhondo Local Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51 and 54 were used to guide the compilation of the 2011/12 MTREF

The main challenges experienced during the compilation of the budget 2011/12 can be summarised as follows;

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents.
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The 2011/12 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2012/13 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPIX, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act

## 1.4 Operating Revenue Framework

In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2012/13 MTREF**

<b>Consolidated MTREF Budget</b>	<b>Adjustment Budget 2011/12</b>	<b>Budget Year 2012/13</b>	<b>Budget Year +1 2013/14</b>	<b>Budget Year +2 2014/15</b>
<b>Total Operating Revenue</b>	250,369,076	278,309,506	287,366,920	301,736,737
<b>Total Operating Expenditure</b>	250,268,747	278,279,854	286,809,404	301,324,979
<b>(Surplus)/Deficit for the year</b>	(100,329)	(29,652)	(557,516)	(411,758)
<b>Total Capital Expenditure</b>	<b>84,442,754</b>	<b>96,746,783</b>	<b>106,561,461</b>	<b>119,517,607</b>

Total operating revenue for 2012/13 financial year is R278 million, when compared to the 2011/12 Adjustments Budget of R250million. For the two outer years, operational revenue will increase by 3 and 4 per cent respectively.

Total operating expenditure for the 2012/13 financial year has been appropriated at R278million and translates into a budgeted surplus of R13.6million towards funding own capital contribution. When compared to the 2011/12 Adjustments Budget, operational expenditure has grown by 10 per cent in the 2012/13 budget and by 8 and 5 per cent for each of the respective outer years of the MTREF. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R96.7million for 2012/13 is 12 per cent higher when compared to the 2011/12 Adjustment Budget.

### Municipal Tariffs

#### Property Rates

Property rates cover the cost of the provision of general services. Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The 5 per cent property rate tariffs increase for 2012/13 financial year will see a revenue projection of R23.7million as compared to the R22.6million in 2011/12 financial year. Reduction of R15 000 of the market value of the property as per Section 17(1)(h) of the MPRA is permitted to residential stands and Council add an extra R35 000 to it to bring the value to R50 000 which will be exempted from rates.

Rebates for newly rateable properties including agricultural sector are implemented as follows;

- Year 1 - 75%
- Year2 – 50%
- Year 3 – 25%
- Year 4 - 0% (Currently in Year 4)
- 

Rebates for residential will be 10%

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2011/12 financial year based on a 10 per cent increase from 1 July 2011 is contained below:

**Table2 Comparison of proposed rates to levied for the 2012/13 financial year**

<b>Category</b>	<b>Current tariffs (2011/12)</b>	<b>Approved tariffs (2012/13)</b>
Residential	R0.00716	R0.00752
Business/Industrial	R0.00742	R0.00779
Agriculture	R0.00179	R0.00188
State owned	R0.00742	R0.00779
Psi	R0.00179	R0.00188
Vacant	R0.01290	R0.01353
Pbo	R0.00179	R0.00188

### **Sale of Electricity and impact of tariffs increase**

NERSA approved an 11.03 per cent on the municipal electricity tariff for 2012/13 annual budget compilation. Mkhondo Local Municipality has applied to NERSA 11.03 per cent which was approved and that tariffs will be effective in the new financial billing starting on the 01<sup>st</sup> July 2012.

Considering the Eskom increases, the consumer tariff had to be increased by 11.03 per cent to offset the additional ESKOM bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Mkhondo local municipality has an indigent register that is guided by the municipality's indigent policy which it was approved in Council during 2012/13 budget, it grants indigents household free electricity supply up to 50KWh and that threshold will continue in this 2012/13 financial year.



**The tariff increase is divided into two categories mainly;**

- Repair and Maintenance and other - 11.03%
- Electricity Consumption KWh - 11.03%

### **Sales of Water and Impact of tariff increase**

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

It is recommended that the registered owner of a property should bear the costs where a prepaid water meter measuring system is installed by Council. These costs will constitute the said measuring unit, general maintenance and installation expenses incurred by the Council in relation to the prepaid meter installation.

The approved water tariff for Mkhondo Local municipality for basic charge is R13.00 each month for every vacant stand excluding Council properties.

**Table 3 Comparison between current water charges and increases (Domestic)**

<b>Monthly Consumption kℓ</b>	<b>Current Amount Payable 2011/12</b>	<b>Approved Amount Payable 2012/13</b>	<b>Difference (Increase)</b>	<b>Percentage Change</b>
0 -6	0	R2.92	R2.92	100%
7 – 20	R2.92	R3.10	R0.18	5.9%
21 – 40	R3.65	R3.85	R0.20	5.9%
41 – 60	R5.15	R5.45	R0.30	5.9%
61 - above	R6.80	R7.20	R0.40	5.9%

The free basic water will be provided to all household per month as may be amended from time to time to a maximum of 6kℓ.

By laws of the municipality shall be applicable to water supply tariffs including all the other water tariffs.

### **Sanitation and Impact of tariffs increase**

Tariff increase of 5.9% for sanitation has been approved as from 01 July 2012. This is based on the cost assumptions related to water.

**The following factors also contributed to the proposed tariff increase:**

- Sanitation charges are calculated according to the percentage water discharged
- Free sanitation of 6kℓ water will be applicable to registered indigents

**Table 4 Comparison between current sanitation charges and increases**

<b>Classification Monthly</b>	<b>Current Amount Payable</b>	<b>Approved Amount Payable</b>	<b>Difference (Increase)</b>	<b>Percentage Change</b>
Stand – 1 <sup>st</sup> toilet	R28.50	R30.20	R1.70	5.9%
Consecutive toilet	R26.20	R27.75	R1.55	5.9%
2 & 3 stands	R23.95	R25.35	R1.40	5.9%
Backwash pools	R14.80	R15.70	R0.90	5.9%
Sewerage sludge p/c/m	R10.00	R10.60	R0.60	5.9%

**Refuse removal and Impact of tariffs increase**

In respect of the refuse removal charges, Mkhondo Local Municipality approved 6% tariff on all categories of in terms of their classifications and waste bins.

**Table5 Comparison between current Refuse removal charges and increases**

<b>Classification Monthly</b>	<b>Current Amount Payable</b>	<b>Approved Amount Payable</b>	<b>Difference (Increase)</b>	<b>Percentage Change</b>
Dwellings, flats, churches and hospitals : per	R38.75	R41.05	R2.30	5.9%
From all other premises, per user	R98.00	R103.80	R5.80	5.9%
If more than two users jointly make use of a bulk container, per user	R102.55	R108.60	R6.05	5.9%
If two users jointly make use of a bulk refuse container, per user	R204.00	R216.05	R12.05	5.9%
Bulk refuse container per individual user.	R411.35	R435.60	R24.25	5.9%
Additional Waste - Landfill site per Ton	R25.05	R26.55	R1.50	5.9%

### 1.5 Operating Expenditure Framework

Mkhondo Local Municipality's operating expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- The SALGA's employee remuneration and other related contributions as well as the repairs and maintenance;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the Integrated Development Plan of the municipality;
- Operational gains and efficiencies will be directed to funding the own capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

Table 6 Summary of operating expenditure by standard classification item

## MP303 Mkhondo - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Expenditure By Type</b>	-										
Employee related costs	2	-	55,147	56,270	68,963	63,094	65,966	32,983	82,722	86,708	91,047
Remuneration of councillors			6,583	6,865	9,414	9,785	8,612	4,306	9,796	9,760	10,248
Debt impairment	3		-	5,507	-	-	-	-	-	-	-
Depreciation & asset impairment	2	-	-	10	-	-	-	-	-	-	-
Finance charges			1,926	1,608	1,400	900	1,800	900	945	992	1,042
Bulk purchases	2	-	31,880	50,417	64,550	75,000	73,311	36,655	76,375	80,194	84,203
Other materials	8		-	-	-	-	-	-	-	-	-
Contracted services		-	-	-	7,546	10,776	10,506	5,253	6,933	7,280	7,644
Transfers and grants		-	4,715	7,671	16,009	16,009	5,237	2,619	16,361	17,179	18,038
Other expenditure	4, 5	-	55,000	44,623	56,492	56,580	35,366	17,683	68,620	71,937	75,269
Loss on disposal of PPE			-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		-	155,251	172,972	224,374	232,144	200,798	100,399	261,752	274,050	287,492

The budget allocation for employee related cost for the 2012/13 financial year totals to R82.6million, which equals 30 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement that has just come to an end for the wage agreement term, the salary increase has been factored into this budget at a percentage increase of 8 per cent for the 2012/13 financial year. The major budget implications was the filling of critical vacancies that existed and the organogram reviewed and costed, however, with limited sources of funding only most critical posts at service delivery departments were prioritised and those vacant but not yet funded will be priorities in the next coming adjustment budget if not coming financial year.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The Division of Revenue Act of 2012/13 next budget allocation as gazetted for remuneration of councillors has an amount of R2.5million for councillors' remuneration as well as the stipend for the ward councillor's of R2.1million which has been considered during the compilation of the 2012/13 Budget.

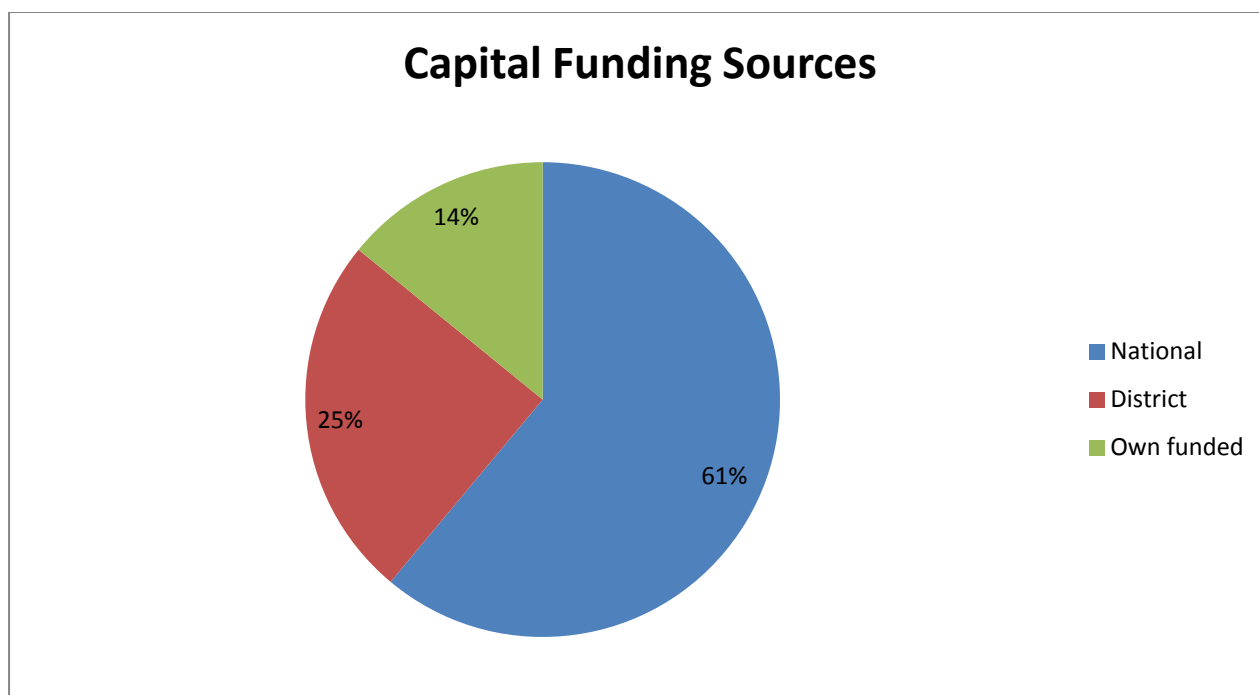
Finance charges consist primarily of the repayment of interest on long-term borrowing from DBSA (cost of capital). Finance charges make up 1 per cent (R945 000) of the budgeted operating expenditure.

Bulk purchases are directly informed by the purchase of electricity (R73million & R2, 6million respectively) from Eskom and DWA for water supply from Heyshope Dam to refill Mkhondo's water

level. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions.

Other material comprises of amongst others the purchase of fuel, diesel, materials for repairs & maintenance, cleaning materials and water treatment chemicals. In line with the municipality's repairs and maintenance plan on existing infrastructures, this group of expenditure has been prioritised to ensure sustainability of the service delivery.

**Figure 1 Main Operational Expenditure**



#### **Free Basic Services: Basic Social Services Package**

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Mkhondo Municipality's approved Indigent Policy. The target is to register additional 10 per cent or more indigent households during the 2012/13 financial year, a process reviewed annually. The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

#### **1.6 Capital Expenditure**

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 7 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification**

**MKHONDO LOCAL MUNICIPALITY 2012/13 – 2014/15 MTREF BUDGET**

**MP303 Mkhondo - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding**

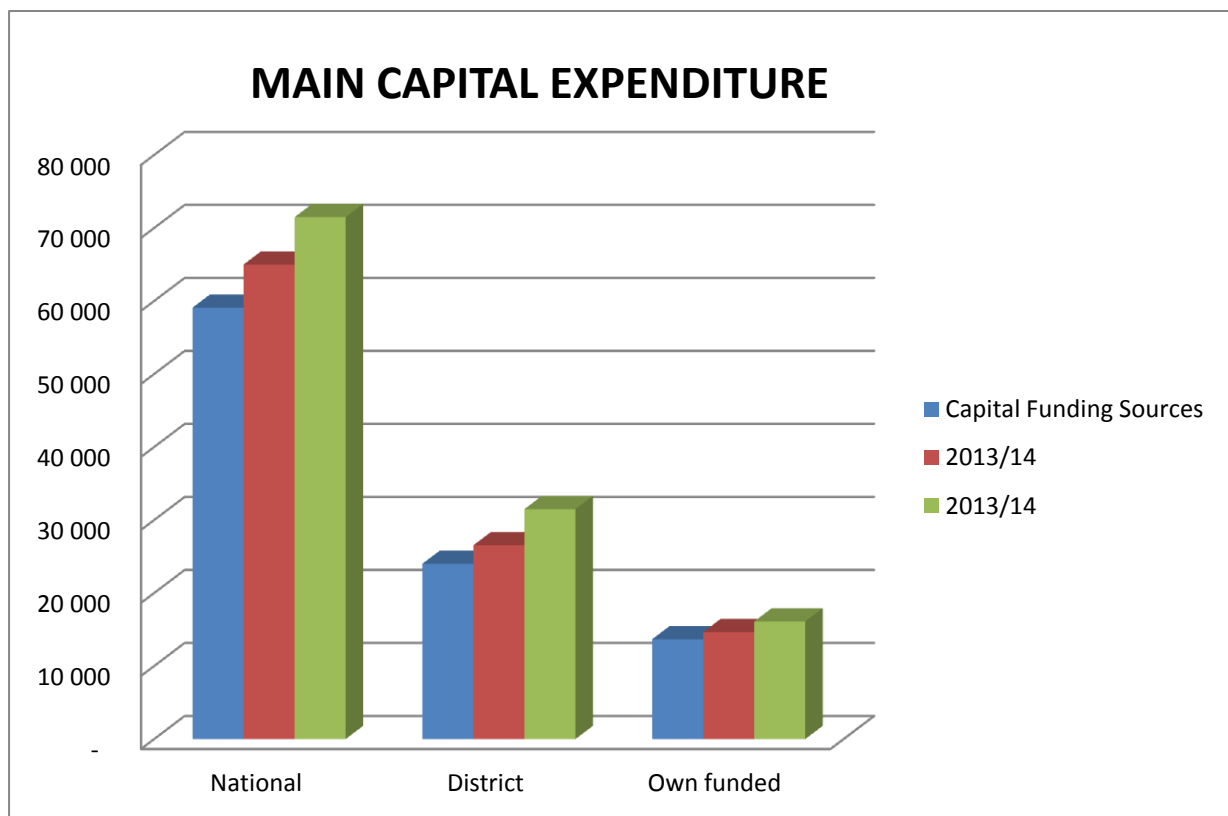
Vote Description  R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b><u>Capital Expenditure - Standard</u></b>											
<b><i>Governance and administration</i></b>		–	–	–	2,843	1,742	1,169	584	4,390	4,829	5,312
Executive and council					–	–	–	–	150	165	182
Budget and treasury office					1,550	200	–	–	3,850	4,235	4,659
Corporate services					1,293	1,542	1,169	584	390	429	472
<b><i>Community and public safety</i></b>		–	–	–	3,520	2,200	–	–	570	627	690
Community and social services					3,520	2,200	–	–	–	–	–
Public safety					–	–	–	–	570	627	690
<b><i>Economic and environmental services</i></b>		–	–	–	38,169	40,497	29,596	14,798	15,181	16,840	20,823
Planning and development					–	–	–	–	1,100	1,210	1,331
Road transport					38,169	40,497	29,596	14,798	14,081	15,630	19,492
<b><i>Trading services</i></b>		–	–	–	39,755	40,003	3,104	1,552	76,336	83,969	92,366
Electricity					2,000	18,628	2,051	1,025	7,786	8,564	9,421
Water					8,000	900	981	491	29,300	32,230	35,453
Waste water management					29,755	20,476	72	36	37,650	41,415	45,557
Waste management					–	–	–	–	1,600	1,760	1,936
<b><i>Other</i></b>					–	–	–	–	270	297	327
<b>Total Capital Expenditure - Standard</b>	3	–	–	–	84,287	84,443	33,868	16,934	96,747	106,562	119,518
<b><u>Funded by:</u></b>											
National Government					48,703	48,703	31,965	15,982	59,081	64,989	71,488
Provincial Government					–	–	–	–	–	–	–
District Municipality					23,000	25,030	–	–	24,000	26,540	31,494
Other transfers and grants					–	8,400	–	–	–	–	–
<b>Transfers recognised - capital</b>	4	–	–	–	71,703	82,133	31,965	15,982	83,081	91,529	102,982
<b>Public contributions &amp; donations</b>	5				–	–	–	–	–	–	–
<b>Borrowing</b>	6				–	–	–	–	–	–	–
<b>Internally generated funds</b>					12,584	2,310	1,904	952	13,666	15,032	16,536
<b>Total Capital Funding</b>	7	–	–	–	84,287	84,443	33,868	16,934	96,747	106,561	119,518

For 2012/13 an amount of R96.7million has been appropriated towards the capital budget for development of infrastructure within the Mkhondo Local municipality jurisdiction. The highest capital infrastructure budget allocation on waste water management of R37.7million which equates to 39 per cent will address sewer challenges that the municipality is currently facing.

Our municipal water infrastructure and reticulation is in serious need to address some of the water delivery and supply challenges, therefore an amount of R29.3million which equates to 31 per cent will be spent on water reticulation and storage infrastructure development and have those communities access to a basic need, which is water to improve the lives of our communities in Mkhondo.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

**Figure 2 Capital Infrastructure Programme**



## 1.7 Annual Budget Tables

MP303 Mkhondo - Table A1 Budget Summary

Description  R thousands	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b><u>Financial Performance</u></b>										
Property rates	–	9,031	13,223	14,646	13,127	14,953	7,476	15,367	16,135	16,942
Service charges	–	60,717	80,231	93,780	96,826	91,820	45,910	108,581	114,010	119,711
Investment revenue	–	3,986	2,299	1,329	1,500	101	51	1,650	1,733	1,819
Transfers recognised - operational	–	130,609	91,395	91,030	91,243	122,997	61,498	103,141	103,439	108,611
Other own revenue	–	10,102	39,397	23,616	32,002	22,222	11,111	33,043	38,176	39,997
<b>Total Revenue (excluding capital transfers and contributions)</b>	–	214,445	226,544	224,400	234,698	252,093	126,046	261,782	273,492	287,080
Employee costs	–	55,147	56,270	68,963	63,094	65,966	32,983	82,722	86,708	91,047
Remuneration of councillors	–	6,583	6,865	9,414	9,785	8,612	4,306	9,796	9,760	10,248
Depreciation & asset impairment	–	–	10	–	–	–	–	–	–	–
Finance charges	–	1,926	1,608	1,400	900	1,800	900	945	992	1,042
Materials and bulk purchases	–	31,880	50,417	64,550	75,000	73,311	36,655	76,375	80,194	84,203
Transfers and grants	–	4,715	7,671	16,009	16,009	5,237	2,619	16,361	17,179	18,038
Other expenditure	–	55,000	50,130	64,038	67,356	45,872	22,936	75,553	79,216	82,913
<b>Total Expenditure</b>	–	155,251	172,972	224,374	232,144	200,798	100,399	261,752	274,050	287,492
<b>Surplus/(Deficit)</b>	–	59,194	53,572	25	2,555	51,295	25,647	30	(558)	(412)
Transfers recognised - capital	–	–	–	48,703	57,103	31,965	15,982	59,081	64,989	71,488
Contributions recognised - capital & contributed assets	–	–	–	23,000	25,030	–	–	24,000	26,540	31,494
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	–	59,194	53,572	71,728	84,688	83,260	41,630	83,111	90,971	102,570
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	–	59,194	53,572	71,728	84,688	83,260	41,630	83,111	90,971	102,570
<b><u>Capital expenditure &amp; funds sources</u></b>										
<b>Capital expenditure</b>	–	–	–	84,287	84,443	33,868	16,934	96,747	106,562	119,518
Transfers recognised - capital	–	–	–	71,703	82,133	31,965	15,982	83,081	91,529	102,982
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	12,584	2,310	1,904	952	13,666	15,032	16,536
<b>Total sources of capital funds</b>	–	–	–	84,287	84,443	33,868	16,934	96,747	106,561	119,518
<b><u>Financial position</u></b>										
Total current assets	–	44,682	76,886	–	–	–	–	79,629	87,593	96,352
Total non current assets	–	471,060	508,308	–	–	–	–	628,093	687,183	718,973



**MKHONDO LOCAL MUNICIPALITY 2012/13 – 2014/15 MTREF BUDGET**

Total current liabilities	–	45,039	56,855	–	–	–	–	58,277	64,105	70,516
Total non current liabilities	–	7,907	11,994	–	–	–	–	5,598	4,758	3,997
Community wealth/Equity	–	462,796	516,345	–	–	–	–	567,980	624,777	687,255
<b><u>Cash flows</u></b>										
Net cash from (used) operating	–	35,338	69,334	70,928	82,888	83,260	41,630	81,131	88,892	100,387
Net cash from (used) investing	–	(41,189)	(37,259)	(84,287)	(84,443)	–	–	(19,134)	(24,907)	(66,625)
Net cash from (used) financing	–	(3,315)	(909)	–	–	–	–	4,638	5,103	5,613
<b>Cash/cash equivalents at the year end</b>	<b>3,830</b>	<b>(5,336)</b>	<b>25,830</b>	<b>(13,359)</b>	<b>(1,555)</b>	<b>83,260</b>	<b>41,630</b>	<b>100,327</b>	<b>169,416</b>	<b>208,791</b>
<b><u>Cash backing/surplus reconciliation</u></b>										
Cash and investments available	–	(5,358)	25,785	–	–	–	–	103,398	110,019	84,093
Application of cash and investments	–	11,701	(1,263)	–	–	–	–	35,422	35,245	1,842
<b>Balance - surplus (shortfall)</b>	<b>–</b>	<b>(17,060)</b>	<b>27,047</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>67,976</b>	<b>74,773</b>	<b>82,251</b>
<b><u>Asset management</u></b>										
Asset register summary (WDV)	–	69,808	69,899	–	–	–	550,480	550,480	605,527	666,080
Depreciation & asset impairment	–	–	10	–	–	–	–	–	–	–
Renewal of Existing Assets	–	–	–	–	–	–	–	96,535	106,188	116,808
Repairs and Maintenance	–	–	–	–	–	–	–	–	–	–
<b><u>Free services</u></b>										
Cost of Free Basic Services provided	<b>967</b>	913	1,046	1,118	1,118	1,279	1,450	1,450	1,537	1,605
Revenue cost of free services provided	<b>259</b>	259	259	266	266	266	279	279	299	303
<b><u>Households below minimum service level</u></b>										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–	–	–	–	–

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table 10 provides an overview of services delivery levels including addressing major backlogs experienced in service delivery issues.
2. Mkhondo Municipality continues to provide free basic services delivery to its community through 6kℓ of free water and sanitation, 50KWh of free basic electricity across all the entire community of Mkhondo as funded by per cent margin within the equitable share of the municipality.

## **PART 2 – Supporting Documentation**

### **2.1 Overview of the Annual Budget Process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

#### **The primary aim of the Budget Steering Committee is to ensure:**

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

### **2.2 Overview of the Budget Process**

In terms of section 21 of the MFMA the Executive Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2012) a time schedule that sets out the process to revise the IDP and prepare the budget.

### **2.3 IDP and Services Delivery and Budget Implementation Plan (SDBIP) Priorities**

In developing the 5-year IDP, a process plan was developed and adopted by Council. It started in September 2010 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2012/13 MTREF.

Section 25 (1) of the Local Government: Municipal Systems Act 32 of 2000 stipulates that 'each municipal council must, within a prescribed period after its elected term, adopt a single, inclusive and strategic plan for the development of the municipality. The Mkhondo Local Municipality has completed its 2011-2016 cycle of Integrated Development Plan (IDP).

Therefore, this IDP represents a new cycle from 2011 to 2016 financial years.

**The above section also mentions that an Integrated Development Plan has the following functions:**

- Links, integrates and coordinates plans and takes into account proposals for the development of the municipality;
- Aligns the resources and capacity of the municipality with the implementation of the plan;
- Forms the policy framework and general basis on which annual budgets must be based;
- Complies with the provisions of this Chapter (chapter 5 of the above Act); and
- Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.

## **2.4 IDP and Budget Consultative Community Participation**

As a process to produce this principal long-term strategic plan, Mkhondo Local Municipality embarked on a detailed public participation process and consultation meetings from the 14<sup>th</sup> of November 2011 until the 23<sup>th</sup> of November 2011, for the 2011-2016 Integrated Development Planning process. The public consultation process was again conducted during April /May 2012 for the Draft IDP Review. Officials together with honourable councillors went all out to participate in the meetings across all 19 wards in the municipality.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

**Table 9 Feedback Summary from community needs relating to municipal competencies**

IDENTIFIED NEEDS		WARDS																		
PROJECT CATEGORY		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	WATER	X	X	X	X	X	X		X	X						X		X	X	X
2	SANITATION	X	X	X	X	X	X		X	X						X		X	X	X
3	ELECTRICITY (Household Connections)	X	X	X	X	X	X		X	X					X	X	X	X	X	X
4	ELECTRICITY (Streetlights/Apollo)	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X
5	CEMETERIES	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6	ROADS (Levelling & Grading)	X	X	X	X	X			X	X	X					X		X	X	X
7	ROADS (Tarring)							X			X	X		X	X		X	X		
8	STADIUMS	X	X	X	X	X	X											X	X	X
9	HALLS	X	X	X			X		X	X	X	X						X	X	X
10	HALLS (FURNISHING & FENCING)				X	X										X				X
11	STANDS/SITES					X	X				X	X								X
12	SPEED HUMPS					X	X	X		X	X	X	X	X	X		X	X		X

## **2.5 Overview of alignment of annual budget with IDP**

The purpose of this document is to describe the planning and implementation processes that will be followed by Mkhondo Local Municipality to deliver on its mandate through being a developmental local municipality. Critical in this document are the five development priorities of the municipality, which are the national Key Performance Areas for local government, namely:

- Basic Service Delivery
- Municipal Institutional Development and Transformation
- Local Economic Development
- Financial Viability and Management
- Good Governance and Public Participation

Table 10 IDP Strategic Development Priorities and Objectives

Basic Service Delivery	Municipal Institutional Development and Transformation	Local Economic Development	Financial Viability and Management	Good Governance and Public Participation
<ul style="list-style-type: none"> <li>➤ To accelerate the Provision of Water, Sanitation, Roads, Storm Water and Electricity services in partnership with key stakeholders to meet millennium targets and improve the living conditions for all.</li> </ul>	<ul style="list-style-type: none"> <li>➤ To provide support to both the administrative and political offices of the municipality in order to enable their maximum performance.</li> </ul>	<ul style="list-style-type: none"> <li>➤ To facilitate and market opportunities and advantages of Mkhondo Municipality in order to attract local and foreign direct investment.</li> </ul>	<ul style="list-style-type: none"> <li>➤ To align with the needs of the public through alignment with the IDP to ensure spending where it is most needed.</li> </ul>	<ul style="list-style-type: none"> <li>➤ To increase transparency and legitimacy in decision making processes of the municipality.</li> </ul>
<ul style="list-style-type: none"> <li>➤ To accelerate provision of services relating to disaster management, safety, fire, emergency, as well as traffic and licensing</li> </ul>	<ul style="list-style-type: none"> <li>➤ To facilitate representation of previously disadvantaged individuals (PDIs) in both administrative and political offices of the municipality.</li> </ul>	<ul style="list-style-type: none"> <li>➤ To support growth and development of tourism sector within Mkhondo Municipality.</li> </ul>	<ul style="list-style-type: none"> <li>➤ To ensure that the Municipality maintains its Clean Audit record and Good Financial Management.</li> </ul>	<ul style="list-style-type: none"> <li>➤ To strengthen public participation through Izimbizo, IDP Forums and other communication platforms, this will include previously marginalised groups.</li> </ul>
<ul style="list-style-type: none"> <li>➤ To accelerate provision of services relating to solid waste, parks and gardens; whereas ensuring environmental sustainability of all developments.</li> </ul>	<ul style="list-style-type: none"> <li>➤ To provide education and training for officials and councillors in order to increase their efficiency on the job.</li> </ul>	<ul style="list-style-type: none"> <li>➤ To support cooperatives' and small business development.</li> </ul>	<ul style="list-style-type: none"> <li>➤ To manage internal and external income efficiently; and thus render a sound service to the public.</li> </ul>	<ul style="list-style-type: none"> <li>➤ To improve internal systems and controls, and increase the overall operational efficiency of the municipality to fulfil its responsibilities.</li> </ul>
<ul style="list-style-type: none"> <li>➤ To support provision of comprehensive services and ensure that communities can have access to services which are closer to them.</li> </ul>			<ul style="list-style-type: none"> <li>➤ To assist all departments administratively in increasing their expenditure.</li> </ul>	

# MKHONDO LOCAL MUNICIPALITY 2012/13 – 2014/15 MTREF BUDGET

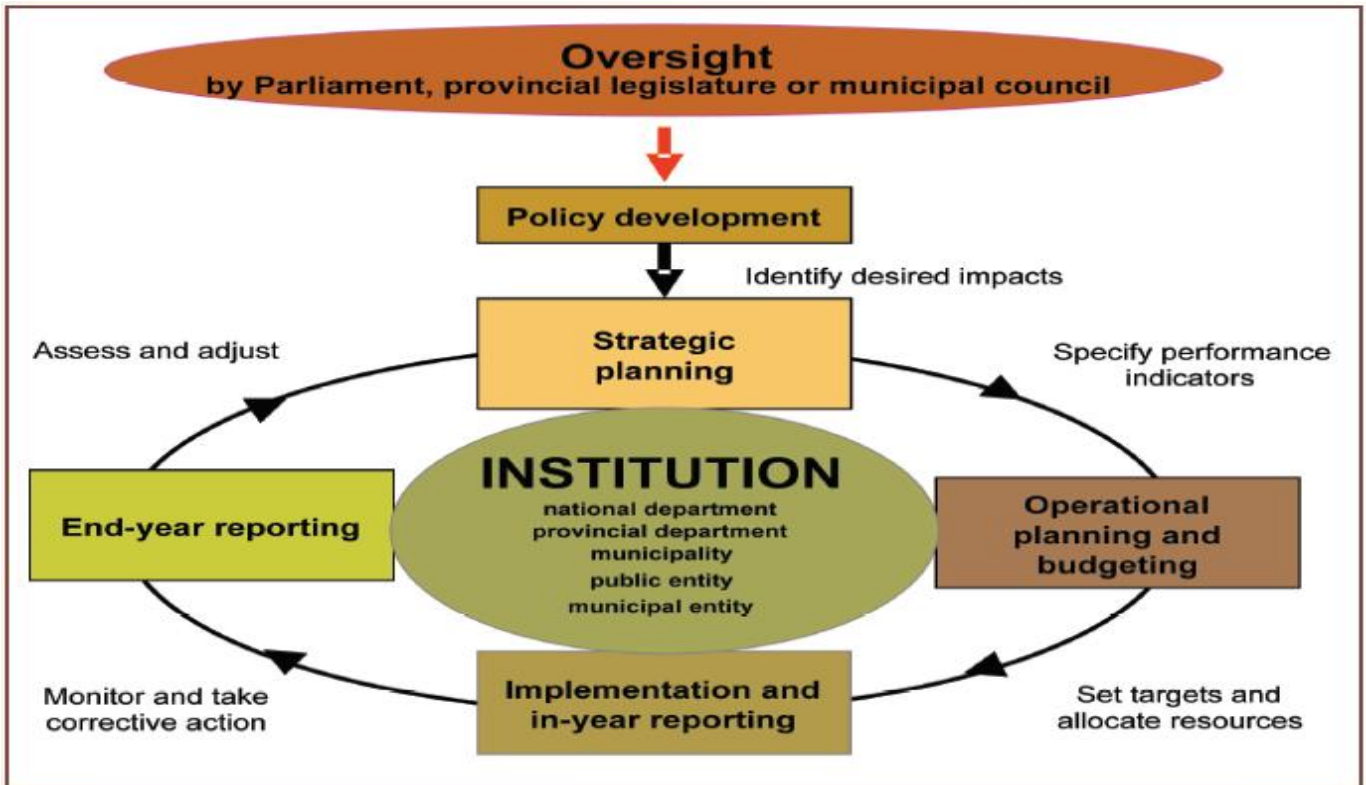
## MP303 Mkhondo - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

(operating expenditure)													
Strategic Objective	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	
R thousand													
Municipal governance and administration							76,273	79,297	66,117	63,098	69,408	76,349	
Community and public safety							22,358	21,003	20,944	22,560	24,816	27,298	
Economic and environmental services							36,840	14,880	31,859	41,552	45,707	50,278	
Trading services							157,148	135,814	129,171	137,355	151,090	166,199	
Other services							15,348	13,831	11,786	13,716	15,087	16,596	
Allocations to other priorities													
Total Expenditure				1	–	–	–	307,967	264,825	259,877	278,281	306,109	336,720

## 2.5 Measurable Performance Objectives and Indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, Mkhondo Local Municipality has developed and yet to implement a performance management system of which system is expected to be the integrated planning process which will enhance the Municipality's targets, monitoring, assessing and reviewing its organisational performance which in turn is directly linked to individual employee's performance i.e. Section 57 appointees.

Figure3 The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of Mkhondo Local Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore, has adopted performance management system which encompasses

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

## 2.6 Overview of Budget related – policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

- Supply Chain Management policy
- Asset Management Policy
- Banking and Cash Management policy
- Indigent Policy

- Inventory Management policy
- Rates policy
- Rental policy
- Risk Management Policy
- Fleet Management policy
- Bad debt write-off policy
- Asset Disposal policy

## **2.7 Overview of Budget assumptions**

### **2.7.1 Credit rating outlook**

Mkhondo local municipality has in the past financial years been in the financial difficulties and in some cases worst financial battle and still now struggling to heal some of the old wounds in terms of financial sustainability and unable to meet its short term credit obligations. Therefore this has damage the municipality's credit worthiness in the world of lending with financial institutions.

### **2.7.2 Interest rates for borrowing and investment of funds**

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. Mkhondo Local municipality has in the past secured loan with DBSA for financing capital infrastructure and that's the only finance charges it incurs on repayments and financing interest on the loan.

### **2.7.3 Collection rate for revenue services**

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (92 per cent) of annual billings. Cash flow is assumed to be 92 per cent of billings, plus an increased collection of arrear debt from the revenue enhancing strategy and incentives measures to encourage community to pay their arrears on service accounts.

### **2.7.4 Salary increase**

The collective agreement regarding salaries/ wages which is coming to an end by 30 June 2012 according to the three year wage agreement with SALGBC, an estimated growth in employee related cost is budgeted at 8 per cent for 2012/13 financial year, notwithstanding the NT circular no.59 in terms of the guidelines.

## **2.8 Overview of Budget Funding Sources**

### **2.8.1 Medium – term outlook: Capital revenue**

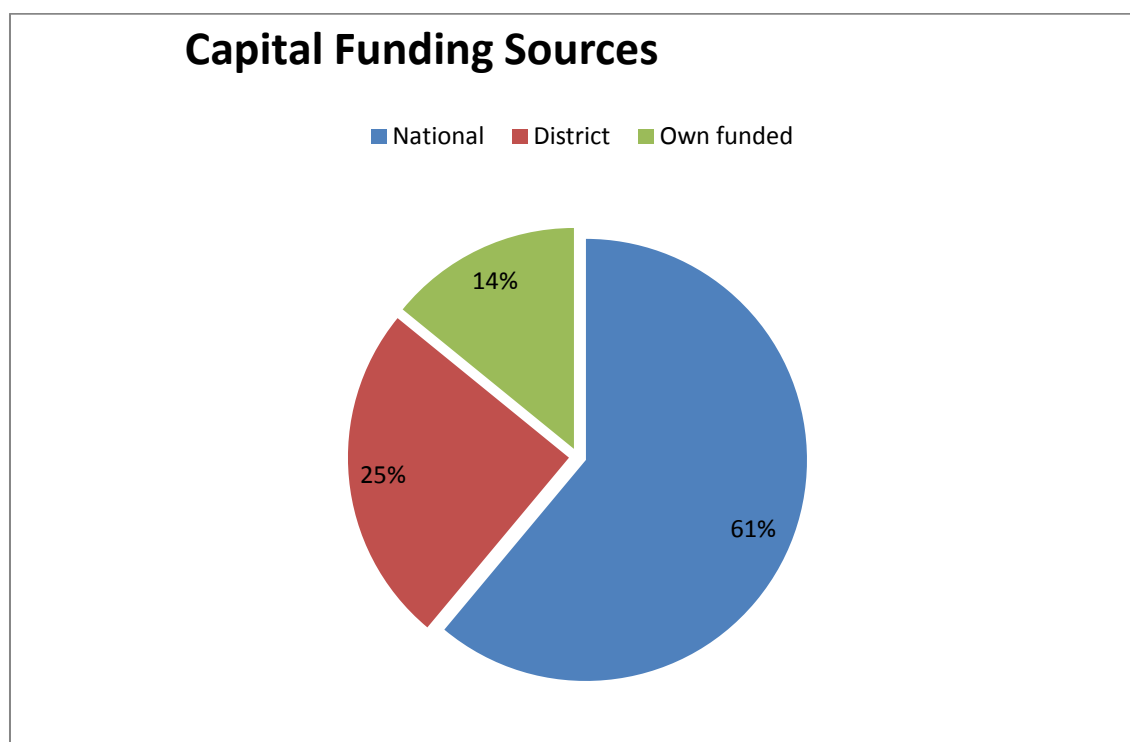
The following table is a breakdown of the funding composition of the 2012/13 medium-term capital programme:



**Table 12 Sources of capital revenue over the MTREF**

MP303 Mkhondo - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Funded by:</b>											
National Government					48,703	48,703	31,965	15,982	59,081	64,989	71,488
Provincial Government					–	–	–	–	–	–	–
District Municipality					23,000	25,030	–	–	24,000	26,540	31,494
Other transfers and grants					–	8,400	–	–	–	–	–
Transfers recognised - capital	4	–	–	–	71,703	82,133	31,965	15,982	83,081	91,529	102,982
Public contributions & donations	5				–	–	–	–	–	–	–
Internally generated funds					12,584	2,310	1,904	952	13,666	14,647	16,112
<b>Total Capital Funding</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>84,287</b>	<b>84,443</b>	<b>33,868</b>	<b>16,934</b>	<b>96,747</b>	<b>106,176</b>	<b>119,094</b>

**Figure 4 Sources of capital revenue for the 2012/13 financial year**

Capital grants and receipts equates to 61 per cent of the total funding source which represents R59.1million while the district capital revenue worth of projects is 25 per cent an amount worth of R24million and just under 14 per cent for own funded capital to a tune of R13.6million.

## 2.8.2 Medium- term outlook: Operating Revenue

The following table is a breakdown of the operating revenue over the medium-term:

**MP303 Mkhondo - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue By Source</b>											
Property rates	2	–	9,031	13,223	14,646	13,127	14,953	7,476	15,367	16,135	16,942
Property rates - penalties & collection charges		–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	2	–	41,974	57,371	71,627	70,512	69,845	34,922	80,540	84,566	88,795
Service charges - water revenue	2	–	6,853	9,346	9,870	11,713	10,718	5,359	13,046	13,697	14,383
Service charges - sanitation revenue	2	–	4,177	4,568	5,990	8,310	4,904	2,452	8,271	8,684	9,118
Service charges - refuse revenue	2	–	5,482	5,938	6,293	6,290	6,353	3,177	6,725	7,061	7,415
Service charges - other			2,232	3,009	–	–	–	–	–	–	–
Rental of facilities and equipment			288	322	673	332	298	149	1,379	1,448	1,521
Interest earned - external investments			3,986	2,299	1,329	1,500	101	51	1,650	1,733	1,819
Interest earned - outstanding debtors			–	–	1,116	–	–	–	–	–	–
Dividends received			–	–	–	–	–	–	–	–	–
Fines			917	981	1,812	1,388	1,131	565	1,458	1,531	1,607
Licences and permits			3,669	5,298	147	–	–	–	104	109	114
Agency services			–	–	4,872	5,000	5,110	2,555	7,395	7,765	8,153
Transfers recognised - operational			130,609	91,395	91,030	91,243	122,997	61,498	103,141	103,439	108,611
Other revenue	2	–	5,227	32,795	14,195	23,481	15,684	7,842	20,727	25,245	26,419
Gains on disposal of PPE			–	–	800	1,800	–	–	1,980	2,079	2,183
<b>Total Revenue (excluding capital transfers and contributions)</b>		–	<b>214,445</b>	<b>226,544</b>	<b>224,400</b>	<b>234,698</b>	<b>252,093</b>	<b>126,046</b>	<b>261,782</b>	<b>273,492</b>	<b>287,080</b>

## 2.9 Funding Compliance Measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**MP303 Mkhondo Supporting Table SA10**  
**Funding measurement**

Description	MFMA section	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Funding measures</b>	-	-										
Cash/cash equivalents at the year end - R'000	18(1)b	1	3,830	(5,336)	25,830	2,650	11,999	88,497	44,249	116,346	229,086	324,353
Cash + investments at the yr end less applications - R'000	18(1)b	2	-	(17,060)	27,047	-	-	-	-	67,976	74,773	82,251
Cash year end/monthly employee/supplier payments	18(1)b	3	-	(0.6)	2.3	0.2	0.8	6.1	6.1	6.7	12.8	17.3
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	-	63,909	61,243	87,737	98,242	88,497	44,249	91,200	125,718	144,171
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	(6.0%)	28.0%	10.0%	(4.6%)	(8.9%)	(56.0%)	6.7%	(0.5%)	(0.5%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	0.0%	40.9%	100.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	0.0%	0.0%	5.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital payments % of capital expenditure	18(1)c;19	8	0.0%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	91.8%	91.8%	91.8%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								99.5%	99.4%	98.4%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	0.0%	(3.0%)	(100.0%)	0.0%	0.0%	0.0%	0.0%	10.0%	10.0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	10.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	99.8%	99.8%	99.8%

## 2.10 Expenditure on Grants and Reconciliation of Unspent

**MP303 Mkhondo - Supporting Table SA19 Expenditure on transfers and grant programme**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>R thousand</b>										
<b>EXPENDITURE:</b>	1									
<u>Operating expenditure of Transfers and Grants</u>										
<b>National Government:</b>		-	-	-	90,772	90,772	90,772	103,646	110,117	119,508
Local Government Equitable Share					88,732	88,732	88,732	100,346	107,747	116,808
Finance Management					1,250	1,250	1,250	1,500	1,500	1,750
Municipal Systems Improvement					790	790	790	800	870	950
EPWP Incentive								1,000	-	-
Other transfers/grants [insert description]										
<b>Provincial Government:</b>		-	-	-	-	-	-	-	-	-

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<b>Total operating expenditure of Transfers and Grants:</b>		-	-	-	90,772	90,772	90,772	103,646	110,117	119,508
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		-	-	-	48,703	48,703	48,703	59,081	62,323	65,926
Municipal Infrastructure Grant (MIG)					48,703	48,703	48,703	59,081	62,323	65,926
Other capital transfers/grants [insert desc]										
<b>Provincial Government:</b>		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
<b>District Municipality:</b>		-	-	-	23,000	25,030	25,030	24,000	26,540	31,494
<i>Gert Sibande DM</i>					23,000	25,030	25,030	24,000	26,540	31,494
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
<b>Total capital expenditure of Transfers and Grants</b>		-	-	-	71,703	73,733	73,733	83,081	88,863	97,420
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		-	-	-	162,475	164,505	164,505	186,727	198,980	216,928

## MP303 Mkhondo - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>R thousand</b>										
<b>Operating transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year										
Current year receipts					91,030	91,243	91,243	103,137	108,294	113,709
<b>Conditions met - transferred to revenue</b>		-	-	-	91,030	91,243	91,243	103,137	108,294	113,709
Conditions still to be met - transferred to liabilities										
<b>Provincial Government:</b>										
Balance unspent at beginning of the year										
Current year receipts										
<b>Conditions met - transferred to revenue</b>		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
<b>District Municipality:</b>										
Balance unspent at beginning of the year										
Current year receipts					-					
<b>Conditions met - transferred to revenue</b>		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
<b>Other grant providers:</b>										
Balance unspent at beginning of the year										
Current year receipts										
<b>Conditions met - transferred to revenue</b>		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
<b>Total operating transfers and grants revenue</b>		-	-	-	91,030	91,243	91,243	103,137	108,294	113,709
<b>Total operating transfers and grants - CTBM</b>	2	-	-	-	-	-	-	-	-	-
<b>Capital transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year				27,565	-	-	-	-	-	-
Current year receipts				40,495	48,703	48,703	48,703	59,081	62,323	65,926
<b>Conditions met - transferred to revenue</b>		-	-	68,060	48,703	48,703	48,703	59,081	62,323	65,926
Conditions still to be met - transferred to liabilities										
<b>Provincial Government:</b>										
Balance unspent at beginning of the year										
Current year receipts										
<b>Conditions met - transferred to revenue</b>		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
<b>District Municipality:</b>										
Balance unspent at beginning of the year										
Current year receipts					23,000	25,030	25,030	24,000	26,540	31,494
<b>Conditions met - transferred to revenue</b>		-	-	-	23,000	25,030	25,030	24,000	26,540	31,494
Conditions still to be met - transferred to										

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liabilities										
<b>Other grant providers:</b>										
Balance unspent at beginning of the year										
Current year receipts				–	8,400	8,400				
<b>Conditions met - transferred to revenue</b>		–	–	–	8,400	8,400	–	–	–	
Conditions still to be met - transferred to liabilities										
<b>Total capital transfers and grants revenue</b>		–	–	68,060	71,703	82,133	82,133	83,081	88,863	97,420
<b>Total capital transfers and grants - CTBM</b>	2	–	–	–	–	–	–	–	–	–
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>		–	–	68,060	162,733	173,376	173,376	186,218	197,157	211,129
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>		–	–	–	–	–	–	–	–	–

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**MP303 Mkhondo - Supporting Table SA22 Summary councillor and staff benefits**

Summary of Employee and Councillor remuneration  R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b><u>Councillors (Political Office Bearers plus Other)</u></b>	1	A	B	C	D	E	F	G	H	I
Basic Salaries and Wages					7,702	7,702	6,300	5,605	5,886	6,180
Pension and UIF Contributions					386	683	649	818	859	901
Medical Aid Contributions					–	73	73	118	124	130
Motor Vehicle Allowance					1,327	1,327	1,590	2,262	2,375	2,494
Cellphone Allowance					–	–	–	501	–	–
Housing Allowances					–	–	–	492	517	543
Other benefits and allowances					–	–	–			
<b>Sub Total - Councillors</b>		–	–	–	9,414	9,785	8,612	9,796	9,760	10,248
<b>% increase</b>	4		–	–	–	3.9%	(12.0%)	13.8%	(0.4%)	5.0%
<b><u>Senior Managers of the Municipality</u></b>	2									
Basic Salaries and Wages								7,370	7,738	8,125
Pension and UIF Contributions								1,553	1,631	1,713
Medical Aid Contributions								493	518	544
Overtime								–	–	–
Performance Bonus								–	–	–
Motor Vehicle Allowance	3							2,095	2,200	2,310
Cellphone Allowance	3								–	–
Housing Allowances	3							1,334	1,400	1,470
Other benefits and allowances	3							2,487	2,612	2,742
Payments in lieu of leave									–	–
Long service awards									–	–
Post-retirement benefit obligations	6								–	–
<b>Sub Total - Senior Managers of Municipality</b>		–	–	–	–	–	–	15,332	16,099	16,904
<b>% increase</b>	4		–	–	–	–	–	–	5.0%	5.0%
<b><u>Other Municipal Staff</u></b>										
Basic Salaries and Wages								39,237	41,199	43,259
Pension and UIF Contributions								10,236	10,748	11,286
Medical Aid Contributions								2,589	2,718	2,854
Overtime								2,378	2,497	2,622
Performance Bonus								–	–	–
Motor Vehicle Allowance	3							–	–	–
Cellphone Allowance	3							–	–	–
Housing Allowances	3							–	–	–
Other benefits and allowances	3							3,027	3,596	3,779
Payments in lieu of leave									–	–
Long service awards									–	–

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Post-retirement benefit obligations	6								–	–
<b>Sub Total - Other Municipal Staff</b>		–	–	–	–	–	–	57,467	60,759	63,800
<b>% increase</b>	4		–	–	–	–	–	–	5.7%	5.0%
<b>Total Parent Municipality</b>		–	–	–	9,414	9,785	8,612	82,596	86,618	90,952
			–	–	–	3.9%	(12.0%)	859.1%	4.9%	5.0%

## 2.11 Councillors and Employee Benefits

**MP303 Mkhondo - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)**

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
<b>Councillors</b>	3							
Speaker	4		274,272	48,405	185,679			508,356
Chief Whip			298,602	46,288	132,871			477,761
Executive Mayor			295,701	81,357	272,589			649,647
Deputy Executive Mayor			–	–	–			–
Executive Committee			298,602	46,288	132,871			477,761
Total for all other councillors			4,456,112	768,295	2,458,544			7,682,951
<b>Total Councillors</b>	8	–	5,623,289	990,633	3,182,554			9,796,476
<b>Senior Managers of the Municipality</b>	5							
Municipal Manager (MM)			533,007	118,759	310,608			962,374
Chief Finance Officer			450,000	1,488	361,012			812,500
GM: Comm Services			415,385	129,639	204,977			750,000
SM: Public Safety			247,930	106,664	180,732			535,326
SM: Town Planning			247,930	106,664	180,732			535,326
SM: IDP/LED			247,930	106,664	180,732			535,326
<i>List of each official with packages &gt;= senior manager</i>								
SM: SCM			247,930	106,664	180,732			535,326
SM: Mayoral & Communications			247,930	106,664	180,732			535,326
SM: Solid waste			247,930	106,664	180,732			535,326
SM: Internal Auditor			247,930	106,664	180,732			535,326
SM: HR			247,930	106,664	180,732			535,326
SM: Auxillary services			247,930	106,664	180,732			535,326
SM: Corporate services/legal services			247,930	106,664	180,732			535,326
SM: Revenue			247,930	106,664	180,732			535,326
SM: IT			247,930	106,664	180,732			535,326
SM: Budget			247,930	106,664	180,732			535,326
SM: Expenditure			247,930	106,664	180,732			535,326
SM: Others			1,239,650	533,320	880,946			2,653,916
SM: Others @ R750000.03			1,466,756	463,701	727,947			2,658,404
<b>Total Senior Managers of the Municipality</b>	8	–	7,575,817	2,740,198	5,015,740	–		15,331,755
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>		–	13,199,106	3,730,831	8,198,294	–		25,128,231



**MP303 Mkhondo - Supporting Table SA24 Summary of personnel numbers**

Summary of Personnel Numbers	Ref	2010/11			Current Year 2011/12			Budget Year 2012/13		
Number	1,2	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal Council and Boards of Municipal Entities</b>										
Councillors (Political Office Bearers plus Other Councillors)	4				30		30	38		38
Board Members of municipal entities	5									
<b>Municipal employees</b>										
Municipal Manager and Senior Managers	3				5		5	5		6
Other Managers	7				10	10		12	12	
Professionals		–	–	–	337	296	41	330	312	18
<i>Finance</i>					39	39		35	35	
<i>Spatial/town planning</i>					3	3		5	5	
<i>Information Technology</i>					2	1	1	2	2	
<i>Roads</i>					68	60	8	74	74	
<i>Electricity</i>					42	39	3	32	32	
<i>Water</i>					31	21	10	24	24	
<i>Sanitation</i>					1	1		1	1	
<i>Refuse</i>					1	1		1	1	
<i>Other</i>					150	131	19	156	138	18
Technicians		–	–	–	62	56	6	76	76	–
<i>Finance</i>										
<i>Spatial/town planning</i>										
<i>Information Technology</i>										
<i>Roads</i>										
<i>Electricity</i>					4	4		4	4	
<i>Water</i>					9	9		10	10	
<i>Sanitation</i>					49	43	6	62	62	
<i>Refuse</i>										
<i>Other</i>										
Clerks (Clerical and administrative)										
Service and sales workers										
Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators										
Elementary Occupations										
<b>TOTAL PERSONNEL NUMBERS</b>		–	–	–	444	362	82	461	400	62
<b>% increase</b>					–	–	–	3.8%	10.5%	(24.4%)

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**MP303 Mkhondo - Supporting Table SA25 Budgeted monthly revenue and expenditure**

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue By Source</b>	-															
Property rates		1,281	1,281	1,281	1,281	1,281	1,281	1,281	1,281	1,281	1,281	1,281	1,280	15,367	16,135	16,942
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		6,712	6,712	6,712	6,712	6,712	6,712	6,712	6,712	6,712	6,712	6,712	6,711	80,540	84,566	88,795
Service charges - water revenue		1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	13,046	13,697	14,383
Service charges - sanitation revenue		689	689	689	689	689	689	689	689	689	689	689	689	8,271	8,684	9,118
Service charges - refuse revenue		560	560	560	560	560	560	560	560	560	560	560	561	6,725	7,061	7,415
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		115	115	115	115	115	115	115	115	115	115	115	115	1,379	1,448	1,521
Interest earned - external investments		138	138	138	138	138	138	138	138	138	138	138	138	1,650	1,733	1,819
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		122	122	122	122	122	122	122	122	122	122	122	121	1,458	1,531	1,607
Licences and permits		9	9	9	9	9	9	9	9	9	9	9	8	104	109	114
Agency services		616	616	616	616	616	616	616	616	616	616	616	616	7,395	7,765	8,153
Transfers recognised - operational		8,595	8,595	8,595	8,595	8,595	8,595	8,595	8,595	8,595	8,595	8,595	8,596	103,141	103,439	108,611
Other revenue		1,727	1,727	1,727	1,727	1,727	1,727	1,727	1,727	1,727	1,727	1,727	1,728	20,727	25,245	26,419
Gains on disposal of PPE		165	165	165	165	165	165	165	165	165	165	165	165	1,980	2,079	2,183
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>21,815</b>	<b>21,815</b>	<b>21,815</b>	<b>21,815</b>	<b>21,815</b>	<b>21,815</b>	<b>21,815</b>	<b>21,815</b>	<b>21,815</b>	<b>21,815</b>	<b>21,815</b>	<b>21,815</b>	<b>261,782</b>	<b>273,492</b>	<b>287,080</b>

**MKHONDO LOCAL MUNICIPALITY 2012/13 – 2014/15 MTREF BUDGET**

**MP303 Mkhondo - Supporting Table SA30 Budgeted  
monthly cash flow**

MONTHLY CASH FLOWS	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Cash Receipts By Source													1		
Property rates	1,281	1,281	1,281	1,281	1,281	1,281	1,281	1,281	1,281	1,281	1,281	(1,281)	12,805	14,086	15,494
Property rates - penalties & collection charges												-	-	-	-
Service charges - electricity revenue	6,712	6,712	6,712	6,712	6,712	6,712	6,712	6,712	6,712	6,712	6,712	(6,712)	67,116	73,828	81,210
Service charges - water revenue	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	(1,087)	10,872	11,959	13,155
Service charges - sanitation revenue	689	689	689	689	689	689	689	689	689	689	689	(689)	6,893	7,582	8,341
Service charges - refuse revenue	560	560	560	560	560	560	560	560	560	560	560	(560)	5,605	6,166	6,782
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	115	115	115	115	115	115	115	115	115	115	115	(115)	1,149	1,264	1,390
Interest earned - external investments	138	138	138	138	138	138	138	138	138	138	138	(138)	1,375	1,513	1,664
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	122	122	122	122	122	122	122	122	122	122	122	(122)	1,215	1,337	1,470
Licences and permits	9	9	9	9	9	9	9	9	9	9	9	(9)	86	95	104
Agency services	616	616	616	616	616	616	616	616	616	616	616	(616)	6,163	6,779	7,457
Transfer receipts - operational	8,595	8,595	8,595	8,595	8,595	8,595	8,595	8,595	8,595	8,595	8,595	(8,595)	85,951	94,546	104,001
Other revenue	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	(1,700)	17,002	18,702	20,572
Cash Receipts by Source	21,623	21,623	21,623	21,623	21,623	21,623	21,623	21,623	21,623	21,623	21,623	(21,623)	216,232	237,856	261,641
Other Cash Flows by Source															
Transfer receipts - capital	27,740				27,740				27,740			(0)	83,219	91,541	100,695
Contributions recognised - capital & Contributed assets												-			
Proceeds on disposal of PPE															

**MKHONDO LOCAL MUNICIPALITY 2012/13 – 2014/15 MTREF BUDGET**

Short term loans												-			
Borrowing long term/refinancing												-			
Increase (decrease) in consumer deposits												-			
Decrease (Increase) in non-current debtors												-			
Decrease (increase) other non-current receivables												-			
Decrease (increase) in non-current investments												-			
<b>Total Cash Receipts by Source</b>	<b>49,363</b>	<b>21,623</b>	<b>21,623</b>	<b>21,623</b>	<b>49,363</b>	<b>21,623</b>	<b>21,623</b>	<b>21,623</b>	<b>49,363</b>	<b>21,623</b>	<b>21,623</b>	<b>(21,623)</b>	<b>299,451</b>	<b>329,396</b>	<b>362,336</b>
<b>Cash Payments by Type</b>															
Employee related costs	6,883	6,883	6,883	6,883	6,883	6,883	6,883	6,883	6,883	6,883	6,883	(6,883)	68,830	75,713	83,284
Remuneration of councillors	816	816	816	816	816	816	816	816	816	816	816	(816)	8,164	8,980	9,878
Finance charges	79	79	79	79	79	79	79	79	79	79	79	(79)	787	866	952
Bulk purchases - Electricity	6,148	6,148	6,148	6,148	6,148	6,148	6,148	6,148	6,148	6,148	6,148	(6,148)	61,479	67,627	74,390
Bulk purchases - Water & Sewer	217	217	217	217	217	217	217	217	217	217	217	(217)	2,166	2,383	2,621
Other materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services	578	578	578	578	578	578	578	578	578	578	578	(578)	5,777	6,355	6,990
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	6,391	6,391	6,391	6,391	6,391	6,391	6,391	6,391	6,391	6,391	6,391	(6,391)	63,910	70,301	77,331
<b>Cash Payments by Type</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>(21,113)</b>	<b>211,113</b>	<b>232,224</b>	<b>255,447</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets												-			
Repayment of borrowing												-			
Other Cash Flows/Payments												-			
<b>Total Cash Payments by Type</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>21,111</b>	<b>(21,113)</b>	<b>211,113</b>	<b>232,224</b>	<b>255,447</b>

## MKHONDO LOCAL MUNICIPALITY 2012/13 – 2014/15 MTREF BUDGET

NET INCREASE/(DECREASE) IN CASH HELD	28,251	512	512	512	28,251	512	512	512	28,251	512	512	(510)	88,338	97,172	106,889
Cash/cash equivalents at the month/year begin:	4,315	32,566	33,078	33,590	34,102	62,353	62,865	63,377	63,888	92,140	92,652	93,163	4,315	92,653	189,825
Cash/cash equivalents at the month/year end:	32,566	33,078	33,590	34,102	62,353	62,865	63,377	63,888	92,140	92,652	93,163	92,653	92,653	189,825	296,715

## 2.14 Other Supporting Documents

MP303 Mkhondo - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>R thousand</b>											
<b>REVENUE ITEMS:</b>											
<b><u>Property rates</u></b>	6										
Total Property Rates			23,412	18,878	22,667	21,149	21,149	10,574	23,789	24,978	26,227
less Revenue Foregone			14,381	5,655	8,021	8,021	6,196	3,098	8,422	8,843	9,285
<b>Net Property Rates</b>		–	9,031	13,223	14,646	13,127	14,953	7,476	15,367	16,135	16,942
<b><u>Service charges - electricity revenue</u></b>	6										
Total Service charges - electricity revenue			41,974	57,371	71,627	70,512	69,845	34,922	80,540	84,566	88,795
less Revenue Foregone											
<b>Net Service charges - electricity revenue</b>		–	41,974	57,371	71,627	70,512	69,845	34,922	80,540	84,566	88,795
<b><u>Service charges - water revenue</u></b>	6										
Total Service charges - water revenue			6,853	9,346	9,870	11,713	10,718	5,359	13,046	13,697	14,383
less Revenue Foregone											
<b>Net Service charges - water revenue</b>		–	6,853	9,346	9,870	11,713	10,718	5,359	13,046	13,697	14,383
<b><u>Service charges - sanitation revenue</u></b>	6										
Total Service charges - sanitation revenue			4,177	4,568	5,990	8,310	4,904	2,452	8,271	8,684	9,118
less Revenue Foregone											
<b>Net Service charges - sanitation revenue</b>		–	4,177	4,568	5,990	8,310	4,904	2,452	8,271	8,684	9,118
<b><u>Service charges - refuse revenue</u></b>	6										
Total refuse removal revenue			5,482	5,938	6,293	6,290	6,353	3,177	6,725	7,061	7,415
Total landfill revenue			–	–	–	–	–	–	–	–	–
less Revenue Foregone			–	–	–	–	–	–	–	–	–
<b>Net Service charges - refuse revenue</b>		–	5,482	5,938	6,293	6,290	6,353	3,177	6,725	7,061	7,415
<b><u>Other Revenue by source</u></b>											
Rendering of services in agricultural activities			3,907	1,008	–	–	–	–	–	–	–
Public contributions & donations			–	25,968	–	–	–	–	–	–	–
Miscellaneous other revenue			–	4,415	–	–	–	–	–	–	–
Commissions received			24	45	–	–	–	–	–	–	–
Other Income			1,296	1,359	14,195	23,481	15,684	7,842	20,727	25,245	26,419
Income debited elsewhere			–	–	–	–	–	–	–	–	–
<b>Total 'Other' Revenue</b>	1	–	5,227	32,795	14,195	23,481	15,684	7,842	20,727	25,245	26,419
<b>EXPENDITURE ITEMS:</b>											
<b><u>Employee related costs</u></b>	2										
Basic Salaries and Wages											

**MKHONDO LOCAL MUNICIPALITY 2012/13 – 2014/15 MTREF BUDGET**

			40,254	42,056	57,111	47,523	47,657	23,829	60,839	63,839	67,031
Pension and UIF Contributions			6,165	6,338	7,940	8,264	8,299	4,149	12,270	12,884	13,528
Medical Aid Contributions			1,479	1,555	1,610	1,611	1,826	913	3,115	3,270	3,434
Overtime			2,966	3,313	921	2,728	4,676	2,338	2,378	2,497	2,622
Performance Bonus			–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance			3,721	1,840	1,365	2,088	2,205	1,103	2,091	2,195	2,305
Cellphone Allowance			–	–	–	–	–	–	–	–	–
Housing Allowances			427	586	17	880	1,303	651	1,325	1,284	1,352
Other benefits and allowances			101	379	–	–	–	–	704	739	776
Payments in lieu of leave			–	–	–	–	–	–	–	–	–
Long service awards			35	203	–	–	–	–	–	–	–
Post-retirement benefit obligations	4		–	–	–	–	–	–	–	–	–
<b>sub-total</b>	5	–	55,147	56,270	68,963	63,094	65,966	32,983	82,722	86,708	91,047
<u>Less: Employees costs capitalised to PPE</u>			–	–							
<b>Total Employee related costs</b>	1	–	55,147	56,270	68,963	63,094	65,966	32,983	82,722	86,708	91,047
<b><u>Contributions recognised - capital</u></b>											
<i>List contributions by contract</i>											
<i>Gert Sibande District</i>					23,000	25,030	–	–	24,000	26,540	31,494
<b>Total Contributions recognised - capital</b>		–	–	–	23,000	25,030	–	–	24,000	26,540	31,494
<b><u>Depreciation &amp; asset impairment</u></b>											
Depreciation of Property, Plant & Equipment			–	10	–	–	–	–	–	–	–
Lease amortisation			–	–	–	–	–	–	–	–	–
Capital asset impairment			–	–	–	–	–	–	–	–	–
Depreciation resulting from revaluation of PPE	10		–	–	–	–	–	–	–	–	–
<b>Total Depreciation &amp; asset impairment</b>	1	–	–	10	–	–	–	–	–	–	–
<b><u>Bulk purchases</u></b>											
Electricity Bulk Purchases			31,421	50,417	62,550	73,000	73,311	36,655	73,775	77,464	81,337
Water Bulk Purchases			459	–	2,000	2,000	–	–	2,600	2,730	2,867
<b>Total bulk purchases</b>	1	–	31,880	50,417	64,550	75,000	73,311	36,655	76,375	80,194	84,203
<b><u>Transfers and grants</u></b>											
Cash transfers and grants		–	4,715	7,671	16,009	16,009	5,237	2,619	16,361	17,179	18,038
Non-cash transfers and grants		–	–	–	–	–	–	–	–	–	–
<b>Total transfers and grants</b>	1	–	4,715	7,671	16,009	16,009	5,237	2,619	16,361	17,179	18,038
<b><u>Contracted services</u></b>											
<i>Private contractors, security serv. &amp; valuation</i>					7,546	10,776	10,506	5,253	6,933	7,280	7,644
<b>sub-total</b>	1										

## MKHONDO LOCAL MUNICIPALITY 2012/13 – 2014/15 MTREF BUDGET

<b>Allocations to organs of state:</b>		-	-	-	7,546	10,776	10,506	5,253	6,933	7,280	7,644
Electricity											
Water											
Sanitation											
Other											
<b>Total contracted services</b>		-	-	-	7,546	10,776	10,506	5,253	6,933	7,280	7,644
<b>Other Expenditure By Type</b>	-										
Collection costs											
Contributions to 'other' provisions											
Consultant fees			19,260	10,069	-	-	-	-	-	-	-
Audit fees			1,271	2,439	1,724	2,030	4,059	2,029	2,530	2,657	2,790
General expenses	3		26,087	24,540	27,467	28,649	22,594	11,297	32,681	34,126	35,485
<i>List Other Expenditure by Type</i>											
Administration			(1)	0	-	-	-	-	-	-	-
Repairs and Maintenance			8,383	7,576	10,607	9,608	8,713	4,357	16,128	16,934	17,781
Transfer & Reserves			-	-	16,694	16,293	-	-	17,281	18,220	19,213
<b>Total 'Other' Expenditure</b>	1	-	55,000	44,623	56,492	56,580	35,366	17,683	68,620	71,937	75,269

<b>Repairs and Maintenance by Expenditure Item</b>	8										
Employee related costs											
Other materials			-	-	-	-	-	-	-	-	-
Contracted Services			-	-	-	-	-	-	-	-	-
Other Expenditure			8,383	7,576	10,607	9,608	8,713	4,357	16,931	15,474	16,248
<b>Total Repairs and Maintenance Expenditure</b>	9	-	8,383	7,576	10,607	9,608	8,713	4,357	16,931	15,474	16,248

### 2.15 Legislation Compliance Status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

#### ➤ In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and the quality of financial reports.

#### ➤ Internship programme

Mkhondo Local Municipality is participating in the Municipal Financial Management Internship programme and has employed ten interns undergoing training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the municipality has successfully employed and trained 14 interns through this programme and a majority of them were still in their last term of internship contract the placement plan is to absorb all interns within the various division with Office of the Chief Financial Officer, and one of the senior interns from the first team is appointed as Accountant Revenue Division.



**MKHONDO LOCAL MUNICIPALITY 2012/13 – 2014/15 MTREF BUDGET**

**Mkhondo - Supporting Table SA2 Matrix Financial Performance Budget (revenue /expenditure type and dept.)**

Description	Executive Council	Budget & Treasury Office	Corporate Services	Planning & Development	Health	6 - Community & Services	7 - Engineering	Vote 8 - Public Safety	Vote 9 - Sports & Recreations	Vote 10 - Roads & Technical Services	Vote 11 - Waste Management	Vote 12 - Waste Water Management	Vote 13 - Water	Vote 14 - Electricity	Vote 15 - Other	Total
<b>By Source</b>																
ty rates		367														15,367
ty rates - penalties & collection																-
e charges - electricity revenue														80,540		80,540
e charges - water revenue													13,046			13,046
e charges - sanitation revenue												8,271				8,271
e charges - refuse revenue										6,725						6,725
e charges - other																-
of facilities and equipment						379										1,379
t earned - external investments		650														1,650
t earned - outstanding debtors																-
nds received																-
								1,458								1,458
es and permits								104								104
y services								7,395								7,395
revenue	146	124													15,832	20,402
ers recognised - operational	346	300	195													103,141
on disposal of PPE	980															1,980
<b>venue (excluding capital and contributions)</b>	<b>772</b>	<b>140</b>	<b>195</b>	<b>-</b>	<b>-</b>	<b>379</b>	<b>-</b>	<b>8,957</b>	<b>-</b>	<b>-</b>	<b>6,725</b>	<b>8,271</b>	<b>13,046</b>	<b>80,540</b>	<b>15,832</b>	<b>261,456</b>
<b>ure By Type</b>																

**MKHONDO LOCAL MUNICIPALITY 2012/13 – 2014/15 MTREF BUDGET**

Employee related costs		845	760	819		956		8,523	2,517	14,328	2,909	926	5,132	7,384	2,496	82,596
Operation of councillors	796															9,796
Impairment																-
Depreciation & asset impairment																-
Lease charges										945						945
Purchases													2,600	73,775		76,375
Materials																-
Contracted services		840	936											3,657		6,933
Subsidies and grants	1050	800	1495													7,845
Capital expenditure	830	700	285	756		950	9	3,148	577	11,846	1,717	1,329	8,572	5,806	8,416	76,940
Provision for disposal of PPE																-
<b>Capital expenditure</b>	<b>576</b>	<b>186</b>	<b>176</b>	<b>775</b>	<b>-</b>	<b>906</b>	<b>9</b>	<b>11,671</b>	<b>3,094</b>	<b>27,119</b>	<b>4,626</b>	<b>2,255</b>	<b>16,304</b>	<b>90,622</b>	<b>10,912</b>	<b>261,430</b>
<b>(Deficit)</b>	<b>1096</b>	<b>255</b>	<b>981</b>	<b>575</b>	<b>-</b>	<b>527</b>	<b>(9)</b>	<b>(2,714)</b>	<b>(3,094)</b>	<b>(27,119)</b>	<b>2,099</b>	<b>6,016</b>	<b>(3,258)</b>	<b>(10,082)</b>	<b>4,921</b>	<b>27</b>
Transfers recognised - capital										14,081		37,650	29,300	7,786		88,817
Provisions recognised - capital	150	850	890	100		870		570		2,200	1,500	750	500	2,286		13,666
Depreciated assets																-
<b>(Deficit) after capital transfers &amp; provisions</b>	<b>246</b>	<b>105</b>	<b>591</b>	<b>475</b>	<b>-</b>	<b>157</b>	<b>(9)</b>	<b>(2,144)</b>	<b>(3,094)</b>	<b>(10,838)</b>	<b>3,599</b>	<b>44,416</b>	<b>26,542</b>	<b>(10)</b>	<b>4,921</b>	<b>102,509</b>

Business plan for FMG includes two additional interns for capacitating Internal Audit Unit in the Office of the Municipal. Ten (10) additional interns will be expected to start as from 01 July 2012.

➤ **Budget & Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA, but awaiting an approval of the amended organogram to appoint SCM manager in the Office of the CFO

➤ **Audit Committee**

An Audit Committee has recently been established and is fully functional.

➤ **Service Delivery and Implementation Plan (SDBIP)**

The detail draft SDBIP document is finalised and due to be presented at Finance Portfolio Committee thereafter it will be served before Council for approval, the draft SDBIP is also aligned and informed by the 2012/13 MTREF.

➤ **Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

➤ **Policies**

A list of all budget related policies will be approved during the 2012/13 MTREF by Council on the 31 May 2012, a list of all approved policies have been included as annexure.

## **2.16 Municipal Manager's Quality Certificate**

I \_\_\_\_\_, Municipal Manager of Mkhondo Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

**Municipal Manager of Mkhondo Local Municipality (MP303)**

Signature \_\_\_\_\_

Date \_\_\_\_\_